

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 USIA-06

PRS-01 OPIC-03 XMB-02 DOTE-00 /097 W
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R 141935Z APR 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5156

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2505

E.O. 11652: GDS

TAGS: ENRG EC

SUBJECT: VARGAS REPORTED CALL FOR NATIONALIZATION OF PETROLEUM
INDUSTRY

1. THE "DISTORTED" QUOTATION OF CEPE MANAGER VARGAS SAYING
IN MEXICO THAT ECUADOR SEEKS TO NATIONALIZE THE PETROLEUM
INDUSTRY TO EXPEL FOREIGN COMPANIES (QUITO 2486) BROUGHT FORTH
AN EDITORIAL AND A CARTOON IN DAILY EL COMERCIO APRIL 12.
EDITORIAL ADMONISHES THE GOE TO MAKE HASTE SLOWLY BEFORE
TAKING OVER THE INDUSTRY. CARTOON SHOWS A SOMBRERO-TOPPED
VARGAS EXPLAINING BY TELEPHONE TO QUITO THAT HE DIDN'T SAY
"NATIONALIZATION", HE SAID "HARMONIZATION".

2. IN CUSTOMARY INDIRECT STYLE EL COMERCIO EDITORIAL OBSERVES
THAT THE INSISTENT PROCLAMATION OF THE EVIDENT TAUTOLOGY THAT
THE PETROLEUM OF ECUADOR IS ECUADOREAN PETROLEUM CAN ONLY HAVE
A GROUNDLESS DEMOGOGIC INTENT WHEN CERTAIN POLITICAL SOURCES
GO ON TO SAY THAT IT IS URGENT TO RESCUE OUR RICHES SO THAT NO
ONE SNATCHES THEM FROM US. IN THE SAME POLITICAL INTENT THERE
IS A PREMATURE AFFIRMATION CALLING FOR THE IMMEDIATE NATIONALI-
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ZATION OF THE INDUSTRY. CITIZENS FREE OF PREJUDICE KNOW VERY

WELL THAT THIS WILL COME LATER AFTER THE COUNTRY HAS DEVELOPED THE NECESSARY CAPITAL AND TECHNOLOGY. IT WOULD BE IMPOSSIBLE NOW WITH RESPECT TO TEXACO-GULF. IT IS NOT EVEN POSSIBLE TO PAY FOR THE 25 PERCENT PARTICIPATION ALREADY ACQUIRED.

3. EDITORIAL GOES ON TO SAY WE SUSPECTED THAT VARGAS MUST HAVE BEEN MISQUOTED IF ONLY BECAUSE THE CHIEF OF STATE ALONE CAN MAKE IMPORTANT DECLARATIONS ON SUCH DELICATE AND FUNDAMENTAL QUESTIONS OF POLICY. GOVERNMENT OFFICIALS MUST NOT GO AROUND ECHOING THE TENDENTIOUS PROCLAMATIONS OF CERTAIN POLITICAL ACTIVISTS, IT ADDS SHARPLY.

4. EDITORIAL ENDORSES GOVERNMENT'S INTENTION TO GUARANTEE FOREIGN INVESTMENT IN PETROLEUM, TO MAINTAIN PRODUCTION AT A LEVEL OF 210,000 BARRELS PER DAY AND TO PUSH EXPLORATION TO DISCOVER NEW RESERVES AND TO EXPLOIT THE GAS IN THE GULF OF GUAYAQUIL. IT ADDS, HOWEVER, THAT SOME OBJECTIVES CANNOT BE REACHED EXCEPT AFTER SOME YEARS OF DISCIPLINED AND SYSTEMATIC EXPERIENCE. IT CAUTIONS THAT ECUADOR IS STILL AT THE BEGINNING.

5. COMMENT: THE ACTION OF MINNATRES SALAZAR IN STEPPING ASIDE QUICKLY FROM VARGAS' STATEMENT AND THE RAP ON THE KNUCKLES BY EL COMERCIO, WHICH SELDOM STRAYS FAR FROM THE OFFICIAL VIEW, INDICATE THAT VARGAS' REPORTED REMARKS OUTFRAN CURRENT POLICY. PERHAPS HE WAS CARRIED AWAY BY THE NATIONALISTIC AMBIENTE AT PEMEX; PERHAPS HE MEANT TO THREATEN TEXACO-GULF, WITH WHOM CEPE IS IN A NON-HARMONIOUS PARTNERSHIP. IN ANY EVENT HE IS COMMITTED TO EXPLAINING THE DISTORTIONS TO THE PRESS AFTER HIS RETURN TO ECUADOR. NAZIONALIZATION TALK SEEMS ESPECIALLY INEPT AT THIS TIME WHEN CEPE AND NORTHWEST PIPELINE REPS ARE MEETING TO PUT THE FINISHING TOUCHES TO A CONTRACT FOR DEVELOPMENT OF GULF OF GUAYAQUIL GAS. MINNATRES SALAZAR PERSONALLY ASSURED NORTHWEST PIPELINE VICE PRESIDENT DEZERECA ON APRIL 11 THAT STATEMENT ATTRIBUTED TO VARGAS DOES NOT REFLECT GOE VIEW.

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